

CONFIDENTIAL



CIA/RR CB 65-44
August 1965

Copy No. 194

INTELLIGENCE BRIEF

US-SOVIET EXCHANGES EXERT STRONG INFLUENCE
ON THE SOVIET CONSTRUCTION INDUSTRY

DIRECTORATE OF INTELLIGENCE
Office of Research and Reports

GROUP 1
Excluded from automatic
downgrading and
declassification

CONFIDENTIAL

W A R N I N G

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

US-SOVIET EXCHANGES EXERT STRONG INFLUENCE
ON THE SOVIET CONSTRUCTION INDUSTRY

Recent US-Soviet exchanges in the construction and construction materials industries have led the foremost Soviet construction journal to the unprecedented conclusion that US practices -- financial, organizational, and operational as well as technological -- should be held up to Soviet builders as models for possible adoption in the Soviet construction industry. Whereas Soviet builders on earlier exchange delegations have stated privately that the US construction system is much more flexible and efficient than their own, they have stopped short of going on record to that effect. Their published praise has been limited to statements on the massive use of machinery and equipment and on the quality of the end products in the United States.

Recent reports, however, emphasize the economic (financial and organizational) as well as the technical lessons to be learned from the United States. These reports praise US organization and technique -- particularly in the planning and designing of projects and the application of the Critical Path Method -- and contain no overtones of propaganda or disparagement. The money and effort spent by the American Government and many private companies on exchanges have resulted in the US image now being shown to leaders, planners, and workers in an important segment of the Soviet economy in a very favorable light. Moreover, Soviet officials and delegates have repeatedly expressed their deep appreciation both for the constructive comments offered by their US hosts and for on-site suggestions and criticisms offered by US delegates.

Regardless of the current political climate, economic needs appear to dictate that the USSR adopt many US construction practices to help stimulate economic activity. The recent search for solutions to intractable economic problems -- suggestions typified by the Liberman proposal and other ideas in which profit plays a dominant role -- probably laid the foundation for serious consideration of Western financial practices in the construction industry.

1. Soviet Reactions to the US Construction Industry

It is evident that contacts with US construction personnel and visits to US construction sites have directly influenced Soviet thinking on construction problems. Officials of the American Embassy in Moscow recently learned of a 1/2-hour documentary film on US construction which

is being shown to construction engineers in various cities in the USSR. The film reportedly was made by members of a Soviet construction delegation that came to the United States in 1964. A Soviet engineer who saw the film said that it was very impressive. He indicated that it was being shown as a training film on "proper construction methods."

Observations of V. M. Abramov published in the May 1965 issue of the foremost Soviet construction journal, Promyshlennoye stroitel'stvo, present the "positive aspects of the organization of construction in the USA" and indirectly express dissatisfaction with Soviet methods. Abramov, an engineer, was a member of the Soviet Construction and Thermal Power Delegation, which visited various construction sites in the US during 1-22 June 1964. He is assessed by US contacts as observant and openminded. His article presents a number of features of US construction in a laudatory manner and with considerable insight. Although not saying so, the author seems to have selected items in which the Soviet construction industry is weak.

The topics discussed include the planning and designing of projects, the contractor's role in construction, the training and payment of workers, efficiency in the use of equipment and tools, and the availability, packaging, and supply of building materials. Abramov went into considerable detail in discussing US planning and designing of a project, indicating what information the client furnishes, the responsibilities of the design organization and the data furnished by it, and the suggestions received from the general contractors. In discussing the general contractor, Abramov indicated procedure for the selection and use of subcontractors, the method of payment, adherence to the contract, and the contractor's responsibility for planning and maintaining construction phasing. The use of the Critical Path Method of planning and directing construction projects was noted with approval. (The Critical Path Method is a method of planning, scheduling, and managing construction projects developed by the Remington Rand Corporation for E. I. du Pont de Nemours Company in early 1957. It is similar to Program Evaluation and Review Techniques -- popularly known as PERT -- which was first used in developing the Polaris missile and is now widely used by US Government agencies.)

2. Soviet Self-Criticism

The manner in which the tasks or responsibilities discussed by Abramov are handled in the Soviet construction industry is frequently criticized by responsible Soviet leaders. One of the most recent examples of this is an article that appeared 1 month later in the June 1965

issue of the Soviet economic journal Planovoye khozyaystvo written by I. T. Novikov, Chairman of the State Committee for Construction Affairs of the USSR. He was the leader of the exchange delegation of which Abramov was a member. Novikov's criticisms of Soviet construction management practices also reflect the influence of contacts with US construction personnel.

In this article, Novikov says that there are serious deficiencies in design work in the USSR, including prolonged periods of design, excessive amounts of documentation, and the stipulation of the use of equipment and materials that have not been perfected. These deficiencies lead to major alterations before planned capacity can be achieved. In planning and organizing construction, he urges use of the Critical Path Method, which he defines as a new, progressive, and scientific method that has been proved in practice. To improve management further and accelerate the placing of capacity into operation, Novikov advocates a new method of payment of contractors. He calls for payment in two stages: (a) after the foundation work is completed and (b) after the aboveground work is completed. He also says that it is necessary to broaden the rights and increase the responsibilities of contract organizations and their leaders, to penalize contractors for not fulfilling contracts on time, and to give premiums for fulfilling contracts.

Analyst:

Coord:

25X1A

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

C-O-N-F-I-D-E-N-T-I-A-L

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

C-O-N-F-I-D-E-N-T-I-A-L

25X1A

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

Next 3 Page(s) In Document Exempt

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

CONFIDENTIAL

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

9 August 1965

MEMORANDUM FOR: Chief, Dissemination Control Branch, DD/CR
FROM : Chief, Publications Staff, ORR
SUBJECT : Transmittal of Material

It is requested that the attached copies of CIA/RR CB 65-44, US-Soviet Exchanges Exert Strong Influence on the Soviet Construction Industry, August 1965, Confidential, be forwarded as follows:

State, INR Communications Center,
Room 6527, State Dept. Bldg.
Suggested distribution for
Embassies in Berlin, Bucharest,
Budapest, Moscow, Prague, Sofia,
Warsaw, Bonn, and London

25X1A

Acting

ACTION COMPLETED

The dissemination requested by
this memorandum has been completed.

BY: *708*

Date: *10 Aug 65*

Attachments:

Copies #195 - #203 of CB 65-44

cc: CGS/RB

Approved For Release 2002/02/12 : CIA-RDP79T01003A002300170001-7

CONFIDENTIAL

